

Message Text

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PAGE 01 BEIRUT 01638 121546Z

ACTION NEA-10

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 3630

INFO AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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E.O. 11652: N/A

TAGS: ECON, LE

SUBJECT: ECONOMIC REALITIES IN LEBANON TODAY

REF: BEIRUT 1581

1. DURING CALL ON MOHAMMAD ATALLAH, DIRECTOR GENERAL OF THE RECONSTRUCTION AND DEVELOPMENT COUNCIL, ON APRIL 6, HE MADE THE FOLLOWING REMARKS ABOUT LEBANON'S ECONOMY:

2. FOR MANY LEBANESE, THE LAST TWO YEARS WERE AN ECONOMIC BONANZA. THIS WAS TRUE BECAUSE: 1) DURING THE WAR THE GOL AND MANY PRIVATE COMPANIES CONTINUED TO PAY FULL SALARIES TO THEIR EMPLOYEES ALTHOUGH THEY WERE NOT REQUIRED TO COME TO WORK; 2) MANY OF THESE SAME PEOPLE PARTICIPATED IN THE FIGHTING ON ONE SIDE OR THE OTHER AND WERE PAID FOR THEIR SERVICES; AND 3) MANY HAD FURTHER SUPPLEMENTED THEIR INCOME BY LOOTING. AT THE SAME TIME, THERE HAD BEEN VERY LITTLE ON WHICH TO SPEND ONE'S MONEY SO THAT PEOPLE HAD ACCUMULATED CASH.

2. NOW THAT THE FIGHTING HAS STOPPED, SO HAS THE

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BONANZA. ATALLAH SAID THAT BY HIS ROUGH ESTIMATE THE COST OF LIVING IN BEIRUT HAS GONE UP 200 PERCENT IN TWO YEARS RATHER THAN THE 30-40 PERCENT THAT MIGHT HAVE BEEN EXPECTED. AT THE SAME TIME, THE "EXTRA INCOME" THAT MANY PEOPLE WERE RECEIVING HAS STOPPED. THE GOL MUST THEREFORE MOVE QUICKLY TO GET PEOPLE BACK TO WORK AND TO REVIVE THE ECONOMY. TWO CONDITIONS ARE

ESSENTIAL. THE FIRST IS SECURITY; THE PEOPLE MUST FEEL SAFE IN THEIR HOMES AND CONFIDENT THAT THEY CAN GET TO AND FROM WORK SAFELY. THIS, HOWEVER, WAS NOT HIS PROBLEM. THE SECOND REQUIREMENT WAS THE REBUILDING OF THE SERVICE SECTOR OF THE LEBANESE ECONOMY -- THE PORT AND AIRPORT OF BEIRUT, TELECOMMUNICATIONS, TELEPHONES, AND URBAN TRANSPORT. THIS WAS THE HEART OF LEBANON'S ECONOMY AND THE GOL INTENDED TO CONCENTRATE ON THIS SECTOR. THIS WOULD BE ONE OF THE BASIC TASKS OF THE RECONSTRUCTION AND DEVELOPMENT COUNCIL (RDC).

3. ONE OF THE BASIC PURPOSES OF THE RDC WAS TOPUMP MONEY INTO THE PRIVATE SECTOR OF THE ECONOMY. ATALLAH SAID THAT HE HAD IN THE PAST BEEN A STRONG ADVOCATE OF ARAB INVESTMENT IN ARAB COUNTRIES, MEANING THAT ARAB OIL MONEY SHOULD BE INVESTED IN LEBANON. HE FELT THE GULF STATES WOULD AGAIN INVEST SUBSTANTIAL SUMS IN LEBANON BUT THERE MUST FIRST BE AN INVESTMENT LEAD WHICH COULD ONLY COME FROM THE UNITED STATES. HE WAS THEREFORE VERY INTERESTED IN ENCOURAGING US PRIVATE INVESTMENT IN LEBANON.
PARKER

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